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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

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COMMISSIONERS

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

FEB 15 2005

FEB 17 2005

DOCKETED BY

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AZ Corporation Commission  
Director Of Utilities

IN THE MATTER OF THE APPLICATION OF  
BEARDSLEY WATER COMPANY FOR A  
PERMANENT RATE INCREASE.

DOCKET NO. W-02074A-04-0358

DECISION NO. 67576

ORDER

Open Meeting  
January 11 and 12, 2005  
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

\* \* \* \* \*

FINDINGS OF FACT

1. Beardsley Water Company ("Beardsley" or "Company"), an Arizona corporation, provides water utility service to an area located on the west side of Grand Avenue to 251<sup>st</sup> Avenue between Deer Valley and Patton Roads in Maricopa County, Arizona.

2. On May 12, 2004, Beardsley filed an application with the Commission for a permanent rate increase.

3. On June 11, 2004, the Commission's Utilities Division Staff ("Staff") notified the Company that its application was insufficient pursuant to A.A.C. R14-2-103.

4. On June 25, 2004, Beardsley filed additional information to cure the deficiencies of its application.

5. Beardsley notified its customers of the application for a rate increase by mailing sent to each customer on May 7, 2004. The Commission has received two telephone contacts to the Consumer Services Division from customers opposed to the requested rate increase. During the

1 period 2001 through 2003, Consumer Services received one customer complaint, regarding an  
2 outage, which was resolved to the customer's satisfaction.

3 6. On July 23, 2004, Staff notified Beardsley that its application, as amended, was  
4 sufficient pursuant to A.A.C. R14-2-103, and classified the Company as a Class D Utility.

5 7. The Company's current rates and charges were approved in Decision No. 63202  
6 (December 1, 2000).

7 8. During the test year ended December 31, 2003, Beardsley served an average of 222  
8 customers.

9 9. The average and median usage on 5/8" x 3/4" customer meters during the test year were  
10 17,769 and 12,375 gallons per month, respectively.

11 10. In the test year, as adjusted by Staff, Beardsley had total operating revenues of  
12 \$114,995 and total operating expenses of \$159,967, for a net operating loss of \$44,972. Based on a  
13 Staff-adjusted original cost rate base ("OCRB") of \$191,581, Beardsley experienced a negative 23.47  
14 percent rate of return.

15 11. Beardsley proposed rates that would produce total operating revenues of \$185,181 and  
16 total operating expenses of \$167,014, for a net operating income of \$18,167. The Company's  
17 proposed rates would produce a rate of return of 10.18 percent on Beardsley's proposed OCRB of  
18 \$178,541.

19 12. Staff recommends rates that would produce total operating revenues of \$182,840 and  
20 total operating expenses of \$157,954, for a net operating income of \$24,886. Staff's recommended  
21 \$24,886 net operating income would provide Beardsley with a rate of return of 12.99 percent on  
22 Staff's recommended OCRB of \$191,581.

23 13. The rates and charges for Beardsley at present, as proposed in the application, and as  
24 recommended by Staff are as follows:  
25  
26  
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28

	<u>Present Rates</u>	<u>Proposed Company</u>	<u>Proposed Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$11.00	\$14.25	\$14.00
3/4" Meter	16.00	21.00	20.00
1" Meter	26.00	34.00	33.00
1 1/2" Meter	45.00	60.00	60.00
2" Meter	76.00	100.00	100.00
3" Meter	150.00	198.00	198.00
4" Meter	200.00	264.00	264.00
6" Meter	500.00	660.00	660.00

Gallons Included in Minimum	0	0	0
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Commodity Charges in Excess of Minimum  
Per 1,000 gallons

For 5/8" and 3/4" meter sizes

From zero gallons to 25,000 gallons	\$1.65		
All gallons over 25,000	2.37		
Tier one-zero gallons to 9,000 gallons		\$2.23	
Tier two-9,001 gallons to 18,000 gallons		3.44	
Tier three-all gallons over 18,000 gallons		4.38	
Tier one-zero gallons to 4,000 gallons			\$2.16
Tier two-4,001 gallons to 12,000 gallons			2.45
Tier three-all gallons over 12,000 gallons			4.25

For one-inch meter size and larger

From zero gallons to 25,000 gallons	\$1.65		
All gallons over 25,000 gallons	2.37		
Tier one-zero to 18,000 gallons		\$3.44	
Tier two-all gallons over 18,000 gallons		4.38	
Tier one-zero gallons to 4,000 gallons			\$2.45
Tier two-all gallons over 4,000 gallons			4.25

SERVICE LINE AND METER INSTALLATION CHARGES:  
(Refundable pursuant to A.A.C. R14-2-40-5)

5/8" x 3/4" Meter	\$375.00	\$500.00	\$500.00
3/4" Meter	435.00	575.00	575.00
1" Meter	510.00	660.00	660.00

1 1/2" Meter	740.00	900.00	900.00
2" Meter	1,300.00	1,525.00	1,525.00
3" Meter	1,855.00	2,165.00	2,165.00
4" Meter	2,870.00	3,360.00	3,360.00
6" Meter	5,375.00	6,035.00	6,035.00

SERVICE CHARGE:

Establishment	\$30.00	\$30.00	\$30.00
Establishment (After Hours)	40.00	50.00	45.00
Reconnection (Delinquent)	30.00	30.00	30.00
Reconnection (delinquent) after hours		50.00	45.00
Meter Test (If Correct)	45.00	45.00	45.00
Deposit	*	*	*
Deposit Interest Per Annum	*	1.50%	*
Reestablishment (Within 12 Months)	**	**	**
NSF Check	20.00	20.00	20.00
Deferred Payment	1.50%	1.50%	0.00%
Meter Reread (If Correct)	15.00	15.00	15.00
Late Payment Penalty	0.00	10.00	***

\* Per Commission rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\*\* 1.50% of unpaid monthly balance.

14. Pursuant to the Staff Report, Staff accepted Beardsley's proposed plant in service amount of \$856,314, as well as the Company's proposed accumulated depreciation of \$163,900 and deductions for plant advances and contributions totaling \$513,873. However, Staff increased the Company's proposed \$178,541 rate base by a total of \$13,040 to reflect Staff's use of the formula method of calculating a working capital allowance. In accordance with Staff's recommendation, Beardsley's OCRB is determined to be \$191,581 which is the same as its fair value rate base ("FVRB").

15. Staff made no adjustments to the Company's proposed test year operating revenues. Staff concurred with Beardsley's pro forma revenue annualization to reflect a customer count of 222 customers for the entire test year. Accordingly, test year revenues are determined to be \$114,995.

16. Staff's adjustments to test year operating expenses would result in a net increase of \$7,638, from \$152,329 to \$159,967. Staff accepted the Company's depreciation expense of \$39,793,

1 but made the following specific adjustments to Beardsley's proposed test year expenses: \$36  
2 reduction in purchased power and \$743 reduction for water testing (thereby reducing operation and  
3 maintenance expenses from \$117,193 to \$116,414); reduced property taxes by \$2,341 to reflect the  
4 latest actual tax bill received; and adjusted negative income tax of \$10,708 to \$0, and added \$50 to  
5 reflect the state minimum income tax.

6 17. Beardsley's proposed rate schedule would increase the average monthly 5/8 x 3/4 inch  
7 meter customer bill by \$24.16, or 59.9 percent, from \$40.32 to \$64.48, and the median monthly  
8 customer bill by \$14.51, or 46.2 percent, from \$31.42 to \$45.93.

9 18. Staff's recommended rates would increase the average monthly 5/8 x 3/4 inch meter  
10 customer bill by \$26.44, or 65.6 percent, from \$40.32 to \$66.76, and the median monthly customer  
11 bill by \$12.41, or 39.5 percent, from \$31.42 to \$43.83.

12 19. Staff's recommended rates are reasonable and appropriate and we will adopt them.

13 20. The Company currently has a two-tier inverted rate design. Beardsley and Staff  
14 recommend implementing a three-tier inverted rate design in this case, although at different break  
15 points. The Company proposed break points are at 9,000 and 18,000 gallons, whereas Staff's  
16 recommendation would set the tier break points at 4,000 and 12,000 gallons for 5/8 x 3/4 inch meter  
17 customers. Staff believes that its recommended rate tiers will provide an economic incentive for  
18 large usage customers to conserve.

19 21. We believe Staff's proposed three-tiered rate design is an appropriate means of  
20 encouraging water conservation and recognize that the bulk of the recommended increase is  
21 necessary to remedy the Company's test year revenue deficiency.

22 22. Beardsley has no current compliance issues on file with the Commission's Consumer  
23 Services Division.

24 23. Beardsley is current in its sales and property tax payments.

25 24. The Maricopa County Environmental Services Division reported that Beardsley is  
26 delivering water that meets the standards required under Title 18, Chapter 4, the Arizona  
27 Administrative Code.  
28

1           25.    The U. S. Environmental Protection Agency ("EPA") announced that the arsenic  
2 standard for drinking water will be reduced from 50 parts per billion (ppb) to 10 ppb by January 23,  
3 2006. According to the Arizona Department of Environmental Quality, the arsenic concentrations  
4 from the Company's wells are currently between 2.0 ppb and 4.0 ppb and are therefore in full  
5 compliance with the new EPA standards.

6           26.    The Company is located in the Phoenix Active Management Area ("AMA"). The  
7 Arizona Department of Water Resources reported that Beardsley is in compliance with all applicable  
8 AMA monitoring and reporting requirements for groundwater withdrawals.

9           27.    Based on its investigation, Staff made the following recommendations:

- 11                   a. That Staff's recommended rates and charges be approved  
12                   and the Company may collect from its customers a  
13                   proportionate share of any privilege, sales or use tax;
- 14                   b. That the Company docket with the Commission a schedule  
15                   of its approved rates and charges within 30 days after the  
16                   Decision in this matter is issued;
- 17                   c. That the Company develop a master water plan and submit  
18                   this master plan to the Director of the Utilities Division  
19                   within one year of the effective date of the Order pursuant  
20                   to this rate application. At a minimum, the master plan  
21                   should evaluate the desirability and magnitude of hook-up  
22                   fees, the feasibility of water system interconnection and  
23                   consolidation, growth, demand, water production, water  
24                   storage and fire flow requirements; and
- 25                   d. That the Company adopt the specific depreciation rates and  
26                   categories established by the National Association of  
27                   Regulatory Commissioners, as set forth in Exhibit 4 of  
28                   Staff's Engineering Report.

### CONCLUSIONS OF LAW

1           1.    Beardsley is a public service corporation within the meaning of Article XV of the  
2 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

3           2.    The Commission has jurisdiction over Beardsley and of the subject matter of the  
4 application.

5           3.    Notice of the application was provided in the manner prescribed by law.

4. The rates and charges authorized herein are just and reasonable and should be approved without a hearing.

5. Staff's recommendations are reasonable and should be adopted without a hearing.

### ORDER

IT IS THEREFORE ORDERED that Beardsley Water Company is hereby directed to file on or before February 28, 2005 revised rate schedules setting forth the following rates and charges:

#### Monthly Usage Charge:

5/8" x 3/4" Meter	\$14.00
3/4" Meter	20.00
1" Meter	33.00
1 1/2" Meter	60.00
2" Meter	100.00
3" Meter	198.00
4" Meter	264.00
6" Meter	660.00

#### For 5/8" and 3/4" meter sizes

Tier one-zero gallons to 4,000 gallons	\$2.16
Tier two-4,001 gallons to 12,000 gallons	2.45
Tier three-all gallons over 12,000 gallons	4.25

#### For one-inch meter size and larger

Tier one-zero gallons to 4,000 gallons	\$2.45
Tier two-all gallons over 4,000 gallons	4.25

#### Service Line and Meter Installation Charges

5/8" x 3/4" Meter	\$500.00
3/4" Meter	575.00
1" Meter	660.00
1 1/2" Meter	900.00
2" Meter	1,525.00
3" Meter	2,165.00
4" Meter	3,360.00
6" Meter	6,035.00

Service Charges:

Establishment	\$30.00
Establishment (After Hours)	45.00
Reconnection (Delinquent)	30.00
Reconnection (delinquent) after hours	45.00
Meter Test (If Correct)	45.00
Deposit	*
Deposit Interest Per Annum	*
Reestablishment (Within 12 Months)	**
NSF Check	20.00
Deferred Payment	0.00%
Meter Reread (If Correct)	15.00
Late Payment Penalty	***

\* Per Commission rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\*\* 1.50% of unpaid monthly balance.

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after March 1, 2005.

IT IS FURTHER ORDERED that Beardsley Water Company shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert in its next regular monthly billing.

IT IS FURTHER ORDERED that Beardsley Water Company shall on a going forward basis utilize the depreciation rates contained in Exhibit 4 of the Engineering Report attached to the Staff Report.

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1 IT IS FURTHER ORDERED that Beardsley Water Company shall develop a master water  
2 plan and submit this master plan to the Director of the Utilities Division within one year of the  
3 effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
Secretary of the Arizona Corporation Commission, have  
hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this 15<sup>th</sup> day of Feb., 2005.

BRIAN C. McNEIL  
EXECUTIVE SECRETARY

DISSENT

DISSENT

1 SERVICE LIST FOR: BEARDSLEY WATER COMPANY

2 DOCKET NO.: W-02074A-04-0358

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4 Boyd Weed  
5 BEARDSLEY WATER COMPANY  
6 P.O. Box 34237  
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8 Christopher Kempsey, Chief Counsel  
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